

be contingent on the extent that payments on debt instruments held by the FASIT are made in advance of anticipated payments and on the amount of income from permitted assets.

"(B) HIGH-YIELD INTERESTS.—

"(i) IN GENERAL.—The term "regular interest" includes any high-yield interest.

"(ii) HIGH-YIELD INTEREST.—The term "high-yield interest" means any interest which would be described in subparagraph (A) but for—

"(I) failing to meet the requirements of one or more of clauses (i), (iv), or (v) thereof, or

"(II) failing to meet the requirement of clause (ii) thereof but only if interest payments (or other similar amounts), if any, with respect to such interest consist of a specified portion of the interest payments on permitted assets and such portion does not vary during the period such interest is outstanding.

"(2) OWNERSHIP INTEREST.—The term

"ownership interest" means the interest issued by a FASIT after the startup day which is designated as an ownership interest and which is not a regular interest.

"(c) PERMITTED ASSETS.—For purposes of this part—

"(1) IN GENERAL.—The term "permitted asset"

means—

"(A) cash or cash equivalents.

"(B) any debt instrument (as defined in section 1275(a)(1)) under which interest payments (or other similar amounts), if any, at or before maturity meet the requirements applicable under clause (i) or (ii) of section 860G(a)(1)(B).

"(C) foreclosure property,

"(D) any asset—

"(i) which is an interest rate or foreign currency notional principal contract, letter of credit, insurance, guarantee against payment defaults, or other similar instrument permitted by the Secretary, and

"(ii) which is reasonably required to

guarantee
or
hedge
against the
FASIT's
risks
associated
with being
the obligor
on interests
issued by
the FASIT,
(E)
contract
rights to
acquire
debt
instrument
s
described
in
subparagra
ph (B)
or assets
described
in
subparagra
ph (D).
(F) any
regular
interest
in
another
FASIT,
and
(G) any
regular
interest
in a
REMIC
(2)
DEBT
ISSUED
BY
HOLDER
OF
OWNERS
HIP
INTERES
T NOT
PERMITT
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ASSET
—The
term
permitted
asset
shall not
include
any
debt
instrum
ent
issued
by the
holder
of the
owners
hip
interest

in the FASIT or by any person related to such
holder
or any direct or indirect interest in such a debt
instrument.
The preceding sentence shall not apply to cash
equivalents
and to any other investment specified in
regulations prescribed
by the Secretary.
"(3) FORECLOSURE PROPERTY. —
"(A) IN GENERAL. — The term
foreclosure
means property —